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R. J. Reynolds Tobacco Company

WINSTON-SALEM, N. C.

FINANCIAL STATEMENT

DECEMBER 31, 1937.

MRB
CORP. FILE

Winston-Salem, N. C., January 13, 1938.

To the Stockholders of

R. J. REYNOLDS TOBACCO COMPANY:—

The Financial Report of your Company, at the close of business December 31, 1937, is hereby submitted.

Net profit from operations for the year 1937 (in which net sales were $302,999,161.49), after deducting all charges and expenses of management, advertising, etc.	$36,459,124.33	
ADD		
Interest and Dividends on investments	201,519.92	
Miscellaneous income, net	76,487.86	$36,737,132.11
LESS		
Allowance for Depreciation, Obsolescence, etc.	1,040,403.64	
Interest paid	170,283.16	
Federal and State taxes on income	7,310,418.87	8,521,105.67
EARNINGS FOR YEAR (before deduction of Casualty Loss)		28,216,026.44
DEDUCT		
Casualty Loss through flood		613,654.06
NET CARRIED TO UNDIVIDED PROFITS		27,602,372.38
ADD		
Undivided Profits December 31, 1936		41,748,289.64
		69,350,662.02
DEDUCT		
Three dividends of seventy-five cents each and one dividend of sixty cents per share		28,500,000.00
Total Undivided Profits December 31, 1937		$40,850,662.02

FINANCIAL STATEMENT
DECEMBER 31, 1937.

ASSETS

CURRENT			
Cash		$ 3,515,887.94	
Accounts Receivable (net) for merchandise sold		8,638,614.74	
Leaf Tobacco, Supplies, Manufactured Product	$140,261,487.42		
Less Reserve for contingent carrying charges	2,093,009.86	138,168,477.56	$150,322,980.24
OTHER ASSETS			
Real Estate, Buildings, Machinery, Fixtures		31,530,243.34	
Deduct Depreciation, Obsolescence, etc.	$ 13,178,221.27		
Less fully depreciated property written off during year, etc.	384,365.23	12,793,856.04	
		18,736,387.30	
Investments in Non-Competitive Companies, etc.		319,547.21	
Bills and Notes Receivable		7,166.94	
Other Accounts Receivable		572,083.68	
Brands, Trade-Marks, Good Will		1.00	
Prepaid Expenses		643,085.41	
Retirement & Insurance Investment Fund*		10,120,000.00	30,398,271.54
			$180,721,251.78

*Consisting of 200,000 shares of the Common Stock of the Company.

LIABILITIES

CURRENT			
Accounts Payable		$ 3,024,997.18	
Notes Payable		24,500,000.00	
Accrued Taxes and other Accrued Accounts		7,957,482.70	$35,482,479.88
RESERVES			
Contingencies and Retirement & Insurance Investment Fund			4,388,109.88
CAPITAL ACCOUNT			
Common Stock—Par $10			
Authorized 1,000,000 shares			
Issued 1,000,000 shares		10,000,000.00	
New Class B Common Stock—Par $10			
Authorized 13,000,000 shares			
Issued 9,000,000 shares		90,000,000.00	
Undivided Profits (after deduction of dividends payable January 3, 1938)		40,850,662.02	140,850,662.02
			$180,721,251.78

F. S. HILL, Treasurer.

R. J. REYNOLDS TOBACCO COMPANY:

We have made an examination of the financial statement of R. J. REYNOLDS TOBACCO COMPANY, WINSTON-SALEM, N. C., as at December 31, 1937, and of the income and undivided profits account for the year ended at that date. In connection therewith we examined or tested accounting records of the Company and other supporting evidence, and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

Inventories of Leaf Tobacco, Supplies and Manufactured Product are valued at cost as in former years. The investments are carried at not above cost or market, whichever is lower.

In our opinion, based upon our examination, the accompanying financial statement and related income and undivided profits account, fairly present the financial position of the Company at December 31, 1937, and the results of operations for the year then ended. Further, it is our opinion that the statements have been prepared in accordance with accepted accounting principles consistently maintained by the Company during the year under review.

January 12, 1938.

ERNST & ERNST,
Certified Public Accountants.